

Message Text

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PAGE 01 BRUSSE 05269 01 OF 03 161811Z

ACTION EB-08

INFO OCT-01 EUR-12 EA-10 IO-13 ISO-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05
SS-15 STR-07 ITC-01 TRSE-00 USIA-06 SP-02 SOE-02
OMB-01 DOE-11 ACDA-12 PM-05 /144 W
-----010009 161847Z /45

R 161735Z MAR 78

FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC 5529

INFO AMEMBASSY ANKARA

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LIMITED OFFICIAL USE SECTION 01 OF 03 BRUSSELS 05269

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PAGE 02 BRUSSE 05269 01 OF 03 161811Z

PARIS ALSO FOR USOECD; ALSO FOR USEC; GENEVA ALSO FOR MTN

E.O. 11652: N/A

TAGS: ETRD, BE, LU

SUBJECT: TESTIMONY FOR HEARING ON "BUY AMERICA" BILL

REF: STATE 61254

1. SUMMARY. EMBASSY ESTIMATES BELGIAN GOVERNMENT PURCHASES (INCLUDING THOSE BY QUASI-PUBLIC COMPANIES) OF U.S. ORIGIN PRODUCTS TO AVERAGE ON ANNUAL BASIS ABOUT \$61,000,000. OF THIS AMOUNT, MILITARY PURCHASES AVERAGE ABOUT \$7,000,000 AND THE GOVERNMENT AIRLINE SABENA AVERAGES \$37,000,000. BELGIAN GOVERNMENT MINISTRY PROCUREMENT OF U.S. PRODUCTS IS NOT SUBSTANTIAL. PROCUREMENT BY QUASI-GOVERNMENTAL BODIES AND FIRMS IS SOMEWHAT MORE SIGNIFICANT. WE HAVE NOT INCLUDED IN THESE CALCULATIONS THE F-16 PROGRAM WHICH WILL INVOLVE SALES OF ABOUT ONE HALF BILLION DOLLARS OF U.S. ORIGIN EQUIPMENT AND AIRCRAFT OVER THE LIFE OF THE PROGRAM, SINCE CO-PRODUCTION AND INDUSTRIAL COMPENSATION ARE INVOLVED. END SUMMARY.

2. WITH THE EXCEPTION OF PURCHASES IN THE MILITARY DOMAIN, BELGIAN GOVERNMENT PROCUREMENT OF U.S.-MADE PRODUCTS IS ONLY A SMALL FRACTION OF TOTAL U.S. EXPORTS TO BELGIUM. PROCUREMENT BY OTHER BODIES IS SOMEWHAT MORE SIGNIFICANT.

3. ON THE PURELY COMMERCIAL (NON-MILITARY) SIDE, EMBASSY IS AWARE OF THE FOLLOWING RECENT U.S. EQUIPMENT ACQUISITIONS:

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PAGE 03 BRUSSE 05269 01 OF 03 161811Z

A) SABENA, WHICH IS A 90 PERCENT GOVERNMENT-OWNED AIRLINE, IS EQUIPPED WITH DOUGLAS AND BOEING AIRCRAFT. ALL OF ITS CURRENT FLEET IS MADE UP OF BOEING 747'S, DC-10'S, BOEING 737'S AND BOEING 707'S. THE LAST MAJOR PURCHASE WAS MADE IN 1975 WITH ACQUISITION OF NINE BOEING 737'S AND ONE DC 10-30. ONE SABENA PLAN CALLS FOR FURTHER ACQUISITION BETWEEN NOW AND 1981 OF ONE OR POSSIBLY TWO BOEING 747'S, 2 DC-10'S, AND 3 BOEING 747'S VALUED AT \$150,000,000.

B) SOBELAIR, A CHARTER COMPANY AFFILIATED TO SABENA, HAS AN ORDER FOR ONE BOEING 737 PENDING AND IS PLACING AN ORDER FOR A SECOND 737 (\$7,000,000).

C) EUROPEAN AIR TRANSPORT PURCHASED TWO SWEARINGEN METRO AIRCRAFT IN 1976 (\$3,000,000) AND IS TAKING DELIVERY OF A THIRD. AIRCRAFT ARE USED ON CONTRACT BY SABENA.

D) BELGIAN NATIONAL RAILROAD CO. HAS SPENT ABOUT \$581,000 ANNUALLY DURING PAST THREE YEARS FOR U.S. MANUFACTURED SPARE PARTS.

E) CIVIL AVIATION ADMINISTRATION PURCHASED RADAR
EQUIPMENT IN 1976 TALLING \$441,000.

F) BRUSSELS POLICE FORCE RECENTLY ACQUIRED 14 HARLEY-
DAVIDSON MOTORCYCLES (\$65,000).

G) THE BELGIAN GENDARMERIE IN 1977 IN OPEN BIDDING
SELECTED AMERICAN MANUFACTURED EMERGENCY INTERVENTION
VEHICLE AS BEST SATISFYING THE REQUIREMENTS OF ITS BID FOR
EMERGENCY MEDICAL AND RESCUE EQUIPMENT FOR USE ON HIGHWAYS.

H) BELGIAN PORT AUTHORITIES PURCHASE ON BASIS OF

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PAGE 01 BRUSSE 05269 02 OF 03 161816Z
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CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05
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OMB-01 DOE-11 ACDA-12 PM-05 /144 W
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R 161735Z MAR 78
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 5530
INFO AMEMBASSY ANKARA
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LIMITED OFFICIAL USE SECTION 02 OF 03 BRUSSELS 05269
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PAGE 02 BRUSSE 05269 02 OF 03 161816Z

PUBLIC TENDER. U.S. HAS BEEN SMALL SUPPLIER FOR SOME
LOADING EQUIPMENT (CONTAINER BRIDGES, WALL CRANES).

I) HOSPITAL AND MEDICAL EQUIPMENT. MOST HOSPITALS
IN BELGIUM ARE SEMI-GOVERNMENTAL AND UNDER STANDING
INSTRUCTIONS THEY SHOULD PURCHASE A MAXIMUM WITHIN THE
COMMON MARKET. SOME SPECIALIZED LABORATORY, ANALYTICAL AND
DIAGNOSTIC EQUIPMENT AND X-RAY EQUIPMENT IS OF U.S.
ORIGIN HOWEVER. BELGIAN IMPORTS FROM \$13,000,000 TO
\$15,000,000 PER YEAR IN THIS CATEGORY FROM THE U.S. OF
WHICH ABOUT ONE-THIRD WOULD BE FOR GOVERNMENT-SUPPORTED
OR BACKED HOSPITALS.

J) SALES OF EDUCATIONAL MATERIALS TO THE BELGIAN
SCHOOL SYSTEM IS LIMITED APPARENTLY TO SOME AUDIO-VISUAL
EQUIPMENT AND LABORATORY RESEARCH EQUIPMENT(\$500,000
ANNUALLY).

K) U.S. LABORATORY EQUIPMENT SOLD TO PUBLIC SECTOR
INCLUDING GOVERNMENT-SUBSIDIZED UNIVERSITY AND HOSPITAL
LABORATORIES TOTALS ABOUT 900,000 ANNUALLY.

L) MINISTRY OF COMMUNICATIONS RECENTLY LEASED AND
INSTALLED A CENTRAL COMPUTER UNIT, WHICH SERVICES ALL OF
ITS ACTIVITIES (\$150,000 ANNUALLY), OBTAINED FROM IBM.
IN EARLY 1970'S BELGIAN GOVERNMENT HAD GUARANTEED TO
PURCHASE LARGE NUMBER OF COMPUTERS FROM "EUROPEAN"
COMPANIES UNDER "CONTRACTS FOR PROGRESS". THESE CONTRACTS
TERMINATED THE BEGINNING OF 1976 AND GOVERNMENT MARKET IS
AGAIN OPEN TO FOREIGN SUPPLIERS.

4. AS FOR MILITARY EQUIPMENT, EACH ONE OF THE BELGIAN
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PAGE 03 BRUSSE 05269 02 OF 03 161816Z

ARMED FORCES MAKES SOME SIGNIFICANT PURCHASES FROM THE
UNITED STATES. THE BELGIAN ARMY DURING THE LAST TWO YEARS
PURCHASED THE FOLLOWING AMOUNTS: EQUIPMENT AND SUPPLY

SUPPORT, \$5,270,000; ROYALTY FEES AND TRAINING IN THE UNITED STATES, \$1.2 MILLION AND TWO COMMERCIAL PURCHASES OF \$12,000. THE BELGIAN NAVY DURING THE PAST TWO YEARS PURCHASED \$1.2 MILLION IN ORDNANCE, \$257,000 IN ELECTRONICS; \$213,000 IN PARTS AND EQUIPMENT; AND \$15,000 IN TRAINING. THE BELGIAN AIR FORCE DURING THE PAST TWO YEARS SPENT \$1.2 MILLION ON ORDNANCE, \$1.8 MILLION ON TRAINING AND \$1.6 MILLION ON ENGINES, RADAR, ETC., \$1 MILLION ON EQUIPMENT AND SPARE PARTS, AND \$580,000 ON SUPPORTING EQUIPMENT AND TOOLS. TWO YEARS AGO IT PURCHASED SIX SWEARINGEN AIRCRAFT AT A COST OF \$9,000,000.

5. BELGIUM'S ROLE AS A CO-PRODUCER UNDER THE F-16 PROGRAM IS VERY SUBSTANTIAL AND PRELIMINARY CONTRACTS TOTAL \$721 MILLION. IN THIS CASE, AND TO A LESSER EXTENT IN SOME EARLIER CASES SUCH AS A LOCKHEED SALE TO BELGIUM OF C-130'S, SOME FORM OF CO-PRODUCTION OR INDUSTRIAL COMPENSATION IS AND WAS REQUIRED. THE BELGIAN GOVERNMENT HAS BEEN IMAGINATIVE AND INSISTENT IN FINDING WAYS OF IMPLEMENTING THE CONCEPT OF INDUSTRIAL COMPENSATION. IN THE CASE OF THE F-16 CONTRACT, FOR EXAMPLE, THE MIXTURE OF CO-PRODUCTION AND THE REQUIREMENT FOR 15 PERCENT EUROPEAN INPUT INTO THIRD COUNTRY SALES WOULD RESULT, IF ALL GOES WELL, IN BELGIAN SALES AND PRODUCTION LOCALLY AT LEAST EQUAL TO THE COST INVOLVED IN IMPORTING AMERICAN MANUFACTURED F-16 AIRCRAFT AND ITS COMPONENT PARTS. SEVERAL OTHER SIGNIFICANT SALES OF U.S. MILITARY EQUIPMENT ARE NOW PENDING SUCH AS THE AWACS PROGRAM (COSTS UNCERTAIN), THE AIFV (AN ARMORED PERSONNEL CARRIER MANUFACTURED BY FMC) (\$580 MILLION) AND THE HAWK/HELIP PROGRAM (\$114 MILLION). SOME DEGREE OF OFFSETTING INDUSTRIAL COMPENSATION WOULD BE REQUIRED IN ALL THREE INSTANCES.

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PAGE 01 BRUSSE 05269 03 OF 03 161820Z POSS DUPE
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OMB-01 DOE-11 ACDA-12 PM-05 /144 W
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R 161735Z MAR 78
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LIMITED OFFICIAL USE SECTION 03 OF 03 BRUSSELS 05269
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PAGE 02 BRUSSE 05269 03 OF 03 161820Z POSS DUPE

6. COMMENT: ADDITIONAL U.S. GOVERNMENT PROCUREMENT RESTRICTIONS WOULD NOT BE UNDERSTOOD OR ACCEPTED BY THE BELGIAN GOVERNMENT, INDUSTRY OR PUBLIC MEDIA, PARTICULARLY IN LIGHT OF THE DRAMATIC DROP OF THE DOLLAR IN VALUE AGAINST THE BELGIAN FRANC. THE CURRENT DECLINE OF THE DOLLAR IS INTERPRETED BY THE BELGIAN GOVERNMENT AND PUBLIC AS GIVING THE U.S. AN UNJUSTIFIED COMPETITIVE ADVANTAGE, PARTICULARLY IN VIEW OF BELGIUM'S TRADITIONAL ADVERSE TRADE BALANCE WITH THE U.S. FURTHERMORE, AS CONCERNS MILITARY SALES, THE BELGIANS HAVE BEEN IN THE FOREFRONT OF THOSE INSISTING ON A GENUINE "TWO-WAY STREET" IN NATO DEFENSE EQUIPMENT ACQUISITIONS. IN BRIEF, RAISING THE "BUY AMERICA" DIFFERENTIAL WOULD GENERATE STRONG PRESSURES FOR RETALIATORY PROTECTIONISM AND A LESS FORTHCOMING POSTURE IN THE CURRENT MULTILATERAL TRADE NEGOTIATIONS.
CHAMBERS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: LEGISLATIVE TESTIMONY, LEGISLATIVE BILLS
Control Number: n/a
Copy: SINGLE
Draft Date: 16 mar 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978BRUSSE05269
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780118-0469
Format: TEL
From: BRUSSELS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780362/aaaacaes.tel
Line Count: 328
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
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Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 STATE 61254
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 27 apr 2005
Review Event:
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Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3314665
Secure: OPEN
Status: NATIVE
Subject: TESTIMONY FOR HEARING ON "BUY AMERICA" BILL
TAGS: ETRD, BE, LU
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/482b4bc6-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014